

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

11 June 1982

National Intelligence Council

MEMORANDUM FOR: Sharon Mercurio, EUR/RPE  
Department of State

FROM: Maurice C. Ernst  
National Intelligence Officer for Economics

SUBJECT: NATO Economic Committee Work Program

1. In our view the functions of ECONAD need to be upgraded. To do this requires that ECONAD's work be focused on issues of great importance to the policies of the alliance. This means that the work program should be driven by the policy needs of the NATO Council meetings and, indirectly, the meetings of NATO Ministers and NATO Summit. In line with this general principle, I suggest that the ECONAD work program be structured as follows:

2. There would be three categories of work:

I. Papers Prepared for Consideration by the NATO Council

These papers would normally be discussed at meetings of the NATO Council reserved for economic issues. At a minimum, there should be four such meetings on:

- (1) The recommendations of the Directors of Economic Intelligence concerning the work program;
- (2) East-West economic relations;
- (3) Internal Soviet and East European economic developments; and
- (4) Sino/Soviet Bloc defense expenditures and defense burden.

Additional special meetings may be necessary, especially on credits to the East Bloc.

The papers prepared for these meetings should cover:

- o The main conclusions of experts, including consensus views, areas of agreement and disagreement.

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- o The questions these conclusions pose concerning economic, political and military issues of concern to the alliance.
- o The recommendations for action by the Council affecting economic issues.

The papers for the Council would be approved by the member governments. They would normally be drafted by the Economic Directorate, but occasionally by one of the member governments. Some issues, notably East-West economic relations, would require reinforced meetings, including policy-level officials as well as experts to review and modify the paper.

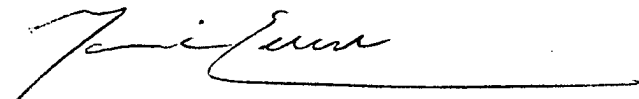
## II. Studies Supporting the Above

Papers providing the analytical building blocks for the above would be given the next highest priority in the ECONAD work program. These papers could be provided by member governments, or could be prepared by the Economic Directorate. In some instances meetings of experts would be required. Examples of topics that should be considered during FY 83 are:

- o Biannual assessments of the current and prospective debt situation of Soviet Bloc countries.
- o Assessments of Soviet and East European development of high technology industries supporting military programs and the role of imports from the West in this development.
- o Development of methodologies to estimate Warsaw Pact military expenditures in both domestic currencies and dollars.
- o The competition between military and civilian programs in the allocation of resources in the USSR. We suggest beginning this complex question with a case study of the steel industry.

## III. Other NATO Economic Studies and Technical Exchanges

This category covers topics which, although not directly related to NATO policy issues, are of interest to the member countries and the treatment of which can benefit from an exchange of views and technical information.



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